

Extension Volunteer Groups



Extension Business Operations

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Topics

1. Options for Handling of Funds
2. Financial Accountability Guidelines
3. Reporting Requirements

Options for Handling of Funds

- Reporting Structure
 - Federal Laws
 - Beginning in 2007, ALL tax exempt entities were required to begin filing annual tax forms to the IRS.
 - Accountability in Kentucky CES Groups*
 - *groups with income



Options for Handling of Funds

- Guiding Principals for CES Approach to a Solution:
 - Provide financial accountability and transparency
 - Be accountable yet minimally disruptive
 - Establish a tax exempt basis for UK CES and it's entities
 - Provide options rather than dictate actions

Options for Handling of Funds

- Tax-Exempt Status
 - Governmental Exemption
 - Exempt status via District Boards (KRS 164.620)
 - 501(c)3 Exemption
 - Entities may chose to be their own 501(c)3 organization



Options for Handling of Funds

- Each Extension entity will fall under one of the four plans for handling funds
 - Option A: Entity controls funds in Entity bank account
 - Option B: Program Council controls funds in Program Council bank account
 - Option C: EDB controls funds in EDB bank account
 - Option D: 501(c)3 organization

Options for Handling of Funds

- Option A

Entity maintains control of funds: Entity maintains bank account; Program Council provides general oversight

Entity	Program Council	District Board
Maintain Entity EIN	Maintain Council EIN	Donor Letter provided by DB
Maintain Entity Bank Account	Maintain Council Bank Account	
Annual Budget	Annual Budget	
Annual Financial Report	Annual Financial Report	
Annual Audit (Audit Committee)	Annual Audit (Audit Committee)	
UK Financial Procedures	UK Financial Procedures	

Options for Handling of Funds

- Option B

Funds handled centrally by Program Council; Funds tracked separately and electronically; Officers of Entity and Agent provide general oversight

Entity	Program Council	District Board
Maintain control of finances	Maintain Council EIN	Donor Letter provided by DB
Will NOT have a bank account	Maintain Entity & Council Bank Accounts	
Annual Budget	Annual Budget	
UK Financial Procedures	Annual Financial Report	
Submit vouchers, receipts, deposits to Council Treasurer	Annual Audit (Audit Committee)	
	UK Financial Procedures	

Options for Handling of Funds

- Option C

All funds handled centrally by District Board; Funds tracked separately & electronically; Officers of Entity and Agent provide general oversight

Entity	Program Council	District Board
Maintain control of finances	Maintain control of finances	Maintain Entity, Program & DB Bank Account
Will NOT have a bank account	Will NOT have a bank account	Annual Budget
Annual Budget	Annual Budget	Annual Financial Report
UK Financial Procedures	UK Financial Procedures	Audit according to KRS
Submit vouchers, receipts, deposits to DB Treasurer	Submit vouchers, receipts, deposits to DB Treasurer	UK Financial Procedures
		Donor Letter provided by DB

Options for Handling of Funds

- Option D – 501(c)3 Organization
 - Exempt from federal tax
 - Most common non-profit organization
 - Mandatory for gaming
 - Raffles, lotteries, or other forms of gaming as fund-raising
 - Council/Entity remains a program of the Land Grant Institution
 - Memorandum of Understanding with Kentucky CES

Options for Handling of Funds

- Option D – 501(c)3 Organization
 - Maintains own bank account
 - Maintains own EIN
 - Sign Memorandum of Understanding with Director of Cooperative Extension Service
 - Annual Budget, Annual Financial Report, Annual Audit
 - Follow UK Financial Guidelines
 - File copies of IRS 990

Options for Handling of Funds

- Option D – 501(c)3 Organization
 - File copies of IRS letter of determination
 - County Program Council
 - County Extension Council
 - Extension District Board
 - Director of Extension
 - Provide acknowledgment letters to donors

Options for Handling of Funds

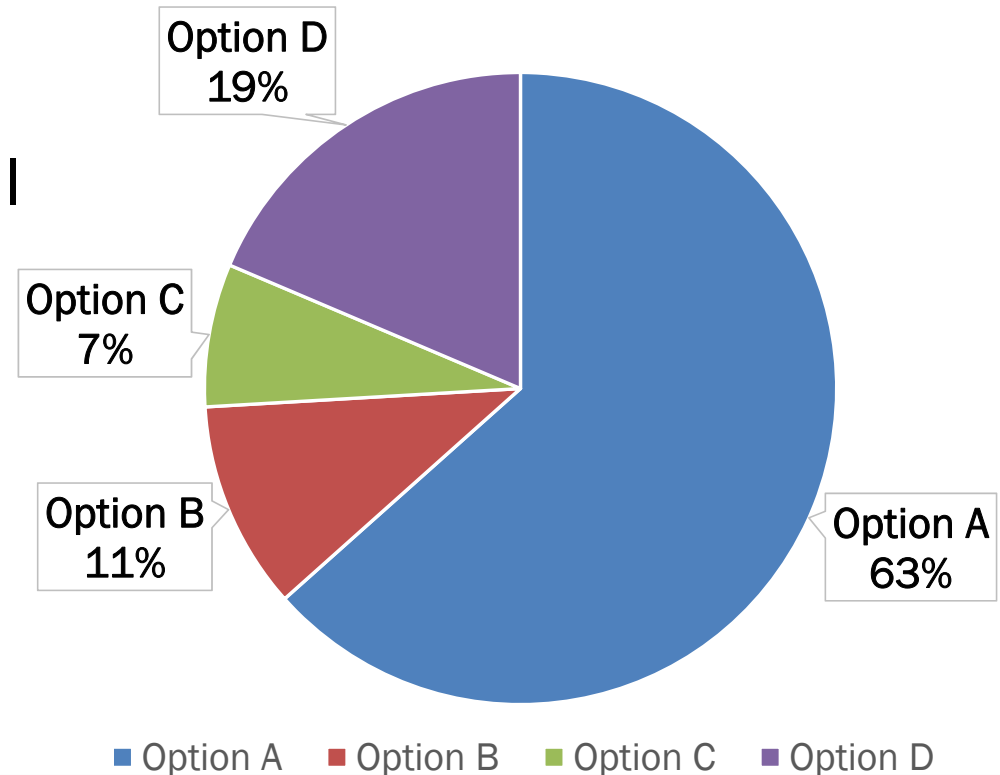
- Option D - 501(c)3 Organization
 - Benefits
 - Tax deductibility of donations
 - Access to grant funds
 - Income and property exemptions
 - Seek guidance from a local tax professional when applying.



Options for Handling of Funds

- Options selected by tax-exempt entities as of April 2019

- Option A: 494
- Option B: 83
- Option C: 57
- Option D: 145
- Total: 780



Questions



Financial Accountability Guidelines

- All entities must provide:
 - Financial Transparency
 - Financial Accountability
 - Group Oversight
 - Adherence to UK/CES business procedures
 - Electronic recordkeeping*

*Recommended with annual income greater than \$250



Financial Accountability Guidelines

- General Guidelines
 - Administration of all volunteer-led groups will be in accordance with their organization's bylaws.
 - All groups must link to a Program Council and the Program Councils must link to the County Extension Council and Extension District Board.
 - Each group handling funds will have sole responsibility for all funds and assets of the entity and will follow administrative regulations established by the Kentucky Cooperative Extension Service.

Financial Accountability Guidelines

- General Guidelines

- Each group must determine the source from which the group will derive tax-exempt status as previously described.
- No Extension employee shall have signatory authority over any assets of the volunteer-led group.
- If an entity has \$250 annual income or more, an electronic bookkeeping system such as QuickBooks should be used to keep financial records.

Financial Accountability Guidelines

- General Guidelines

- Financial records must be maintained by the treasurer of the group or by an Extension employee in the Extension office.
- All groups that have an average monthly balance of \$100 or more should have their funds in a financial institution.
- When the group's funds are held in a financial institution, the account should be opened in the name of the group, using their Employer Identification Number (EIN).
- Under no circumstances should the account be opened in the name of an individual or using an individual's Social Security number.

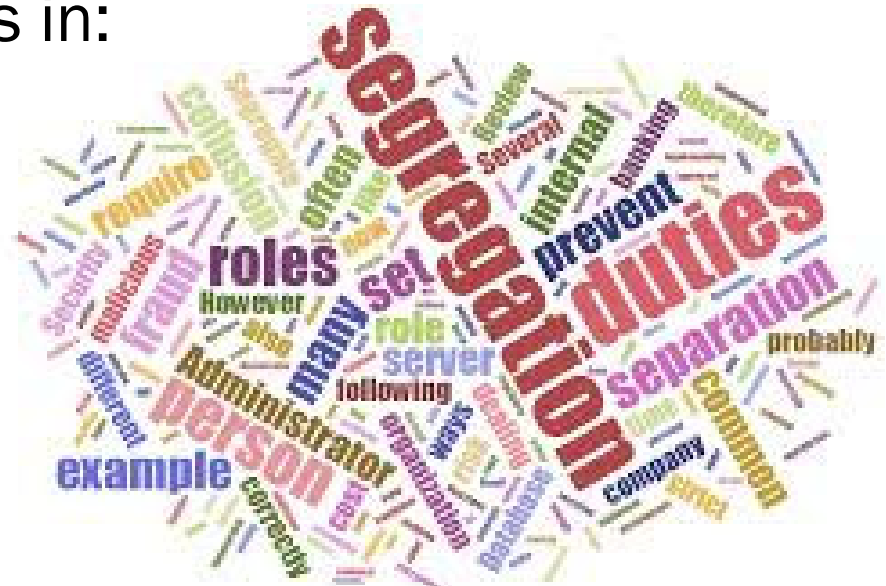
Financial Accountability Guidelines

- General Guidelines

- All funds not placed in a bank account should be held in a secure location.
- The group should consider requiring dual signatures for expenditures over a pre-set amount if the group handles large amounts of money.
- The appropriate officer of each group must prepare the following: an annual budget, periodic financial statements, an annual financial report and an annual audit report

Financial Accountability Guidelines

- Maintain Segregation of Duties in:
 - Receiving Funds
 - Making Deposits
 - Writing Checks
 - Reconciliation of the account



Financial Accountability Guidelines

- Money In
 - Follow all cash handling policies and procedures.
 - Acknowledge all money received with a written receipt.
 - The receipt should be prepared in triplicate with the original given to the client, a copy filed with deposit records and a copy maintained in the receipt book.
 - If a receipt is voided, the original receipt and associated copies should be kept in the receipt book.

Financial Accountability Guidelines

- Money In
 - If a member/representative of a group turns in money collected from several people, one receipt may be written directly to that member if documentation is attached to the receipt listing: (1) individuals from whom the money was collected; and (2) the amount collected from each.
 - Funds should be deposited according to Extension administrative regulations.
 - Any undeposited funds should be in a secure location.

Financial Accountability Guidelines

Receiving:

- Maintain a receipt book for each group/club.
- Create a receipt (triplicate form) for **all funds** received and handle copies as follows:
 - one copy provided to **payer** (if present)
 - one copy kept with **deposit documentation**
 - one copy kept in **receipt book**
- Acceptable receipt forms include: computerized point of sale system printed receipts and preprinted/pre-numbered receipt forms that can be completed manually.

RECEIPT		No. 123456
DATE _____		
FROM _____	\$	
		_____ DOLLARS
<input type="radio"/> FOR RENT		
<input type="radio"/> FOR _____		
ACCT. _____	<input type="radio"/> CASH	FROM _____ TO _____
PAID _____	<input type="radio"/> CHECK	
DUE _____	<input type="radio"/> MONEY ORDER	
	<input type="radio"/> CREDIT CARD	
		BY _____
		A-2501 T-46820

Financial Accountability Guidelines

Receiving:

- Receipt forms must include:

1. The amount of the payment.
2. The mode of payment (e.g., cash or check).
3. Name of person making payment.
4. Purpose of payment.
5. Date of payment.
6. Sequential number.
7. Account payment is applied to, if applicable.
8. Signature of employee receiving funds for written receipts.

RECEIPT		No. 123456
DATE _____		
FROM _____	\$	
		_____ DOLLARS
<input type="radio"/> FOR RENT		
<input type="radio"/> FOR _____		
ACCT. _____	<input type="radio"/> CASH	FROM _____ TO _____
PAID _____	<input type="radio"/> CHECK	
DUE _____	<input type="radio"/> MONEY ORDER	
	<input type="radio"/> CREDIT CARD	
		BY _____
		A-2501 T-46820

Financial Accountability Guidelines

- Safeguarding
 - Limit access to cash and keep funds secure at all times.
 - Restrict access to areas where cash is counted or handled to persons directly involved and restrict visibility by the public in areas where money is handled.
 - Never leave cash unattended. If an employee leaves his or her workstation for any reason, regardless of how briefly, appropriately secure cash in a locked place.

Financial Accountability Guidelines

- Depositing
 - Make all deposits as follows:
 - daily, if cash receipts accumulate to \$500, although more than one deposit a day is not required;
 - each time during the week deposits accumulate to \$500 if receipts are less than \$500 per day;
 - on the last working day of the week if cash is on hand; or
 - by the local bank's cut off time on the last working day of the month if cash is on hand in order to ensure that activity is included in the correct accounting period.

Financial Accountability Guidelines

- Reconciling
 - Each bank statement should be **reconciled** every month.
 - Bank statement will provide all cleared transactions for the month.
 - Statement will be matched against source documents.
 - **Any unreconciled balance must be researched to clear the discrepancy.**
 - Fiscal contact and bookkeeper should monitor all outstanding items.

1Wildcat County	
11501 District Board Main Checking Account, Period Ending 11/30/2018	
RECONCILIATION REPORT	
Reconciled on: 01/15/2019	
Reconciled by: Woody Adams	
Any changes made to transactions after this date aren't included in this report.	
Summary	USD
Statement beginning balance	1,641,372.53
Checks and payments cleared (1)	.902.40
Deposits and other credits cleared (1)	.00
Statement ending balance	1,640,470.13
Register balance as of 11/30/2018	1,640,470.13
Cleared transactions after 11/30/2018	.00
Uncleared transactions after 11/30/2018	.40,470.13
Register balance as of 01/15/2019	1,600,000.00

Financial Accountability Guidelines

- Money Out
 - Follow all UK/CES purchasing and disbursements policies and procedures.
 - Financial commitments and expenses should be made in accordance with the policies established by the organization and the approved budget.
 - Payments should be made only if a “Payment Voucher” is provided with the appropriate bill, invoice or receipt attached.

Financial Accountability Guidelines

- Money Out
 - The “Payment Voucher” and attached documents will become a permanent part of the treasurer’s records. This documentation should be filed in a manner allowing easy retrieval and should be maintained for the current year and three additional years.
 - Expenses are to be paid through established checking accounts. It is not permissible to hold cash back from deposits and then use the cash to pay bills because it does not leave a record or provide proof of payment.

Financial Accountability Guidelines

- Money Out
 - All checks are to be signed by the appropriate officer(s) of the group. An individual is not to sign a check until sufficient documentation, funds are available, and the check has been filled out in its entirety.
 - No one is to sign a blank check.
 - The organization should consider having dual signature requirements for checks written over a specified amount.

Financial Accountability Guidelines

- Money Out
 - No Extension employee shall sign checks, make deposits for volunteer groups or have signatory authority over any assets of the group.
 - When a check is voided, the check should be marked “void” and attached to the check stub.
 - All checking account transactions are to be recorded in the check register at the time the transaction occurs.
 - All check registers are to be reconciled with the bank statement monthly at the time it is received.

Financial Accountability Guidelines

- Money Out
 - Any money spent by a volunteer group must be documented with a payment voucher with an accompanying invoice and/or receipt.
 - Payment Vouchers must be properly documented, including a detailed description of the activity/program purchase is for and detailed original receipts and/or invoices.
 - A standardized payment voucher for volunteer group entities will be developed.

Financial Accountability Guidelines

- Money Out
 - Bills and reimbursements should not be paid by Treasurer without a Payment Voucher and a detailed receipt.
 - Even automatic bill payment bills need a Voucher.
 - The treasurer of the entity should review and sign all vouchers before checks are written.
 - Review for allowable and reasonable expenditures.
 - Review for adequate funds budgeted.

Financial Accountability Guidelines

- Gaming & Raffles
 - As per KRS 238.535, any charitable organization conducting charitable gaming in the Commonwealth of Kentucky shall be licensed by the department.
 - There may be exemptions from licensing requirements depending on the tax-exempt status of the organization and the amount of gross receipts.

Financial Accountability Guidelines

- Gaming & Raffles
 - Any charitable organization exempt from the process of applying for a license, shall notify the Kentucky Department of Charitable Gaming in writing, on a simple form issued by the department, of its intent to engage in exempt charitable gaming and the address at which the gaming is to occur.
 - Refer to KRS 238.535 or the Kentucky Department of Charitable Gaming for detailed guidance.
 - DCG Website: <http://dcg.ky.gov/Pages/default.aspx>

Financial Accountability Guidelines

- Donor Acknowledgement
 - Since contributions to tax-exempt organizations may be deductible, the exempt organization has a responsibility to acknowledge gifts/donations/contributions in the appropriate way.
 - Extension related groups are encouraged to acknowledge every contribution.
 - Donations of over \$250 must be given a written receipt, letter of thanks, email message, or form created for this purpose.

Financial Accountability Guidelines

- Donor Acknowledgement

- For contributions to a government exempt entity, a letter from the entity receiving the donation is to be sent acknowledging the contribution.
 - (See “Sample letter to Acknowledge Donation”)
- It is a good idea to enclose a copy of the letter from the Extension District Board that confirms the entity's association with the District Board and their tax-exempt status.
 - (See "Draft Letter to Confirm Tax Exempt Status of Extension District Board".)
- For contributions to a 501(c)3 entity, a letter from the tax-exempt group is to be sent to the donor acknowledging the donation.

Financial Accountability Guidelines

- Donor Acknowledgement Letter should Include:
(Note: Sample letter provided on CES website)
 - Donor's name
 - Date the gift was received
 - Amount of the monetary gift or a description of the item donated.
 - If the gift is not monetary (such as supplies, equipment or property other than real estate), the group should only verify the receipt of the donation and not assign any value to the gift. In this situation, it is the responsibility of the donor to determine the fair market value of the gift.

Financial Accountability Guidelines

- Donor Acknowledgement Letter should Include:
 - Must have approval from the Dean of the College of Agriculture to accept gifts of real estate.
 - Name and address of the organization receiving the gift (this is usually in the letterhead or header)
 - A statement indicating whether any goods or services were provided in return for the contribution.
 - If the donor received something in return, then only the amount over the value of the benefit can be considered a contribution and deducted on tax forms.

Questions



Reporting Requirements

- 4 Required Annual Reports:
 - Annual Budget
 - Annual Financial Report
 - Annual Audit
 - Annual Inventory (if applicable)

Annual Budget

- Group Name
- Treasurer's Name
- Starting Balance
- Projected Income
- Budgeted Expenditures
- Savings and Investments
- Total Funds Available
- Signed and dated by Treasurer and President

Annual Budget

Name of Group _____	Date _____	Year _____
Treasurer's Name _____		
Starting balance at beginning of year		\$ _____
Projected Income (Summarized by source and amount)		
Date	Item (Examples-dues, name of fundraiser, registration, grants, donations, interest, CD, savings etc.)	Amount
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
Total projected income		\$ _____
Total funds available		\$ _____
Budgeted Expenditures – Anticipated expenditures and amount		
Date	Item (Examples: program supplies, resources, awards, recognition, operating cost, speakers)	Amount
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
Total projected expenditures		\$ _____
Savings Accounts and/or Investments		
_____		\$ _____
_____		\$ _____
Total savings account and/or investments		\$ _____
Total fund available		\$ _____
Submitted by		
Treasurer _____		
President _____		
Date _____		

Annual Financial Report

- Group Name
- Treasurer's Name
- Starting balance
- Total Income
- Total Available Funds
- Actual Expenditures
- Savings and Investments
- Total Year End Balance
- Signed and dated by President and Treasurer

Annual Financial Report

Name of Group _____ Date _____ Year _____

Treasurer's Name _____

Starting balance at beginning of year \$ _____

Actual Income(Summarized by source and amount)

Date	Item (Examples-dues, name of fundraiser, registration, grants, donations, interest, CD, savings etc.)	Amount
		\$
		\$
		\$
		\$
		\$
		\$

Total actual income \$ _____

Total funds available \$ _____

Actual Expenditures— Funds spent summarized by source and amount

Date	Item (Examples: program supplies, resources, awards, recognition, operating cost, speakers)	Amount
		\$
		\$
		\$
		\$
		\$

Total actual expenditures \$ _____

Savings Accounts and/or Investments

_____	\$
_____	\$

Total savings account and/or investments \$ _____

Total year-end balance \$ _____

Submitted by
 Treasurer _____
 President _____
 Date _____

Annual Audit Report

- Group Name
- Fiscal Year End
- Checklist of items reviewed
- Notes regarding any issues or concerns found by committee
- Notes regarding any recommendations made by committee
- Certification of audit committee
- Signatures of audit committee

Audit Committee Checklist and Report

Club/Group: _____ Financial Year End: _____
 Checking Account Number: _____
 Bank: _____ Address: _____
 Audit Date: _____

Persons authorized to sign on checking account:

Name: _____ Address: _____
 Name: _____ Address: _____

Bank records are in the possession of: |

Name: _____ Address: _____

Checklist of Documents Viewed by the Committee

<input type="checkbox"/> Annual Budget	<input type="checkbox"/> Receipts/Bills/invoices for all expenses with attached Reimbursement/Payment Request Form
<input type="checkbox"/> Canceled checks and deposit slips	<input type="checkbox"/> Bank Statements
<input type="checkbox"/> Treasurer's reports	<input type="checkbox"/> Annual Financial Report
<input type="checkbox"/> Receipts for all income	<input type="checkbox"/> Inventory Records
<input type="checkbox"/> Deposit Forms w/documentation (if applicable)	

The audit committee found the following conditions:

The audit committee makes the following recommendations:

This certifies that the audit committee has reviewed the record keeping and financial balances and finds them:
 (check one box)

- in order
- in order upon implementation of recommendation
- requiring further review and action

Signatures of audit committee:

Name: _____ Address: _____

Name: _____ Address: _____

Name: _____ Address: _____

Name: _____ Address: _____

Audit Committee Guidelines

1. Review each month's bank statements
2. Examine all voided checks
3. Total all funds received
4. Total all deposits
5. Total all expenditures
6. Examine Annual Financial Report
7. Check beginning totals and ending totals against income and expenses
8. Check Inventory
9. Complete Audit Checklist and Report

Annual Inventory Report (if applicable)

- Group Name
- Date Acquired
- Item Description
- Dollar Value
- Storage Location
- Disposal Date
- Signatures

Annual Inventory Report

Group Name: _____

Date: _____

Report only assets with a useful life over one year and an initial value of \$250 in value.

Date Acquired	Item Description Include Serial Number	Dollar Value	Storage Location	Disposal and Date Disposed

We hereby certify that this is a correct list of equipment inventory with a useful life over one year and an initial value over \$250 belonging to:

Group: _____

Signed:

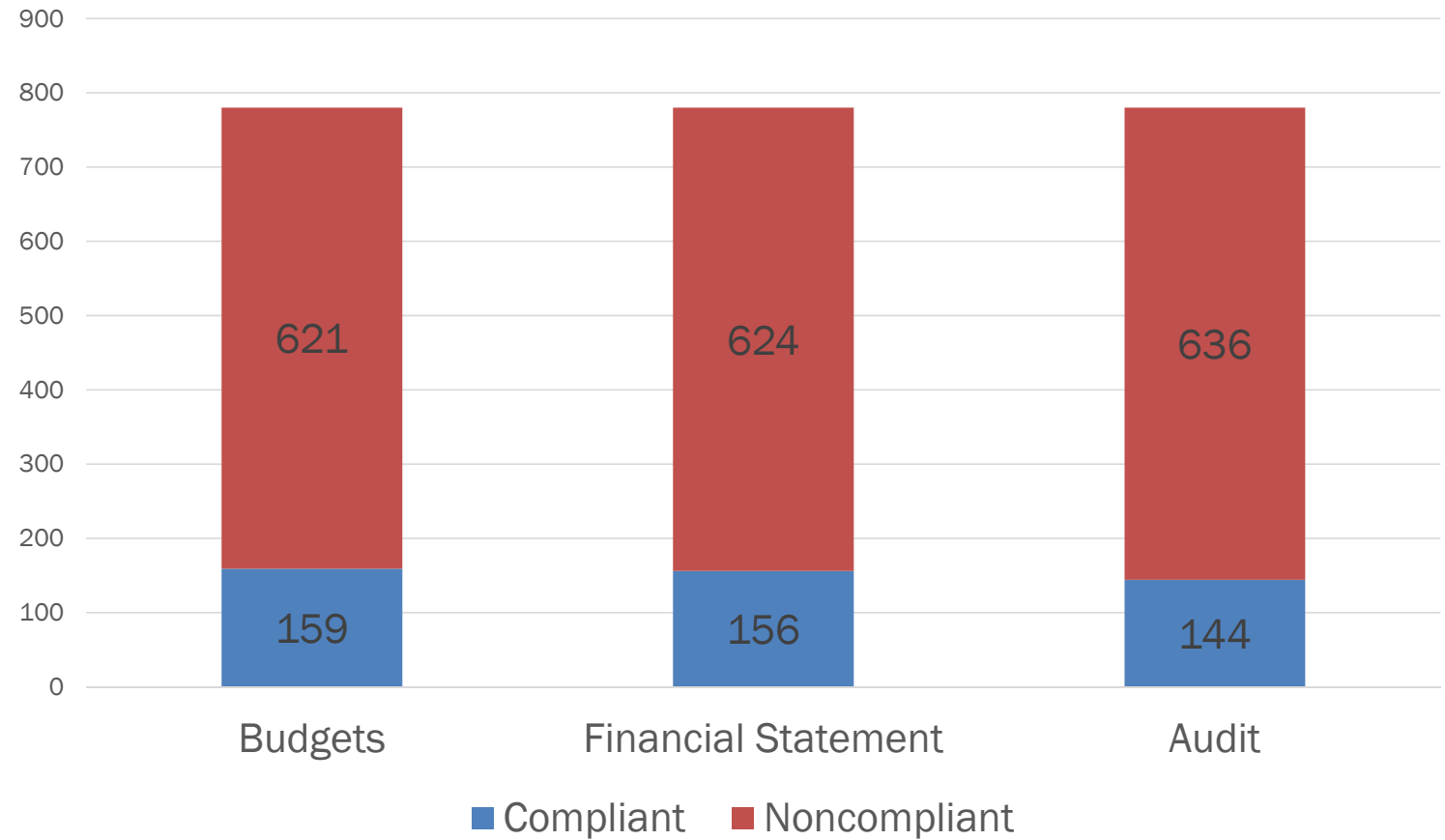
President/Chair: _____ Date: _____

Treasurer: _____ Date: _____

Adult leader for youth group: _____ Date: _____

Reporting Compliance

As of April 2019



Questions



The logo consists of the letters 'U' and 'K' in a stylized, blocky, white font with a double outline. The 'U' is positioned above the 'K'.

Cooperative Extension Service

Extension Business Operations
<http://cafebusinesscenter.ca.uky.edu>